Ontario

Financial Services Commission of Ontario

STATEMENT OF PRIORITIES
AND
STRATEGIC DIRECTIONS

June 2012

Introduction

The Financial Services Commission of Ontario (FSCO) is an integrated financial services regulator. FSCO is an agency of the Ministry of Finance established under the Financial Services Commission of Ontario Act, 1997 (FSCO Act). It regulates insurance, pension plans, credit unions and caisses populaires, mortgage brokering, loan and trust companies, and co-operative corporations in Ontario.

FSCO's legislative mandate is to provide regulatory services that protect the public interest and enhance public confidence in the sectors it regulates.

FSCO is comprised of a five-member commission, the Superintendent of Financial Services and staff.

FSCO in Profile

FSCO delivers regulatory services that protect the public interest, support a strong financial services industry and build public confidence in the regulated sectors. The following list covers FSCO's core regulatory activities.

As of June 8, 2012, FSCO licensed or registered:

- 350 insurance companies
- 46,222 insurance agents
- 4,632 corporate insurance agencies
- 1,657 insurance adjusters
- 1,169 mortgage brokerages
- 95 mortgage administrators
- 2,466 mortgage brokers
- 8,134 mortgage agents
- 7,607 pension plans
- 157 credit unions and caisses populaires
- 58 loan and trust corporations
- 1,694 co-operative corporations

Customer Service Commitment

The Customer Service Commitment posted on our website outlines the levels of quality service the public and our regulated sectors can expect from FSCO. This commitment identifies FSCO's service principles which are designed to meet or exceed client needs and expectations. In addition, it supports service excellence and Ontario Public Service values.

2012 Priorities

Section 11 of the FSCO Act requires that FSCO publish in *The Ontario Gazette* and deliver to the Minister of Finance by June 30 of each year a statement setting out FSCO's proposed priorities.

This, FSCO's 15th Statement of Priorities, outlines FSCO priorities and initiatives to meet changing economic and marketplace conditions in the coming year. The statement includes a report-back section listing FSCO's key accomplishments in the previous year.

As an integrated regulator, FSCO supports a healthy and competitive financial services marketplace

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services

John M. Solursh
Chair
Financial Services Commission of Ontario
Financial Services Tribunal

FSCO's Approach

FSCO's primary regulatory objectives are protecting consumers, increasing compliance with the laws and regulations we administer and fostering public confidence in the sectors we regulate. We recognize that a well-regulated financial services industry increases consumer confidence, which in turn creates a stronger market.

FSCO has strong corporate governance, internal controls and performance measures in place to monitor and measure the quality of our services and the effectiveness of our regulatory oversight. In order to ensure we are providing effective regulatory services, we engage our regulated sectors frequently through a broad range of channels.

Risk-Based Approach

FSCO's approach to achieving its regulatory objectives and setting effective organizational priorities is to identify risks that may affect our capacity to conduct business operations and ensure a high level of regulatory oversight. This involves identifying, focusing and allocating resources toward the highest risks in each regulated sector. FSCO is developing a corporate-wide risk-based approach to regulation that leverages each sector's best practices in risk monitoring.

FSCO will focus on monitoring and identifying risks in the insurance, mortgage brokering and pension sectors. We will also be focusing on increasing consumers' awareness of the services available from FSCO and on providing consumers with information to assist them in making financial decisions that are in their best interest.

The Auditor General of Ontario's 2011 Annual Report

The 2011 Annual Report of the Auditor General of Ontario included reports on its Value-for-Money Audits and Reviews, one of which dealt with Auto Insurance Regulatory Oversight. FSCO will address the recommendations of this report while continuing to implement longer-term projects.

Auto Insurance Fraud

The Ontario Government appointed the Auto Insurance Anti-Fraud Task Force to assess the extent and nature of fraud in Ontario's auto insurance system and to recommend actions to reduce fraud. In December 2011, the Task Force released an interim report; it will release its final report by fall 2012.

FSCO is working with the Task Force's steering committee and working groups to develop recommendations that will enhance efforts to reduce fraud.

In addition, FSCO is leading a working group that is investigating how the Health Claims for Auto Insurance system could be used to detect and prevent fraud.

The Environment

This is a challenging time for firms in our regulated sectors, pension plan members, and consumers of financial services.

Ontario's economy is enjoying modest economic growth but continues to be affected by global economic uncertainty and volatility. The strong Canadian dollar puts additional stress on Ontario's ability to export to the U.S. while fluctuating oil prices pose risks for the global economic recovery.

High levels of household debt are leaving many Canadians increasingly vulnerable to future interest rate hikes and, perhaps, inadequately prepared for retirement. Many defined benefit pension plans are also facing funding shortfalls as they continue to recover from the 2008 financial crisis and deal with an unpredictable investment climate.

In the wake of the financial crisis, consumers seem to be more aware of the risks associated with financial services markets and products. Consumers increasingly demand that governments, regulators and providers protect their interests more effectively.

Performance Measures

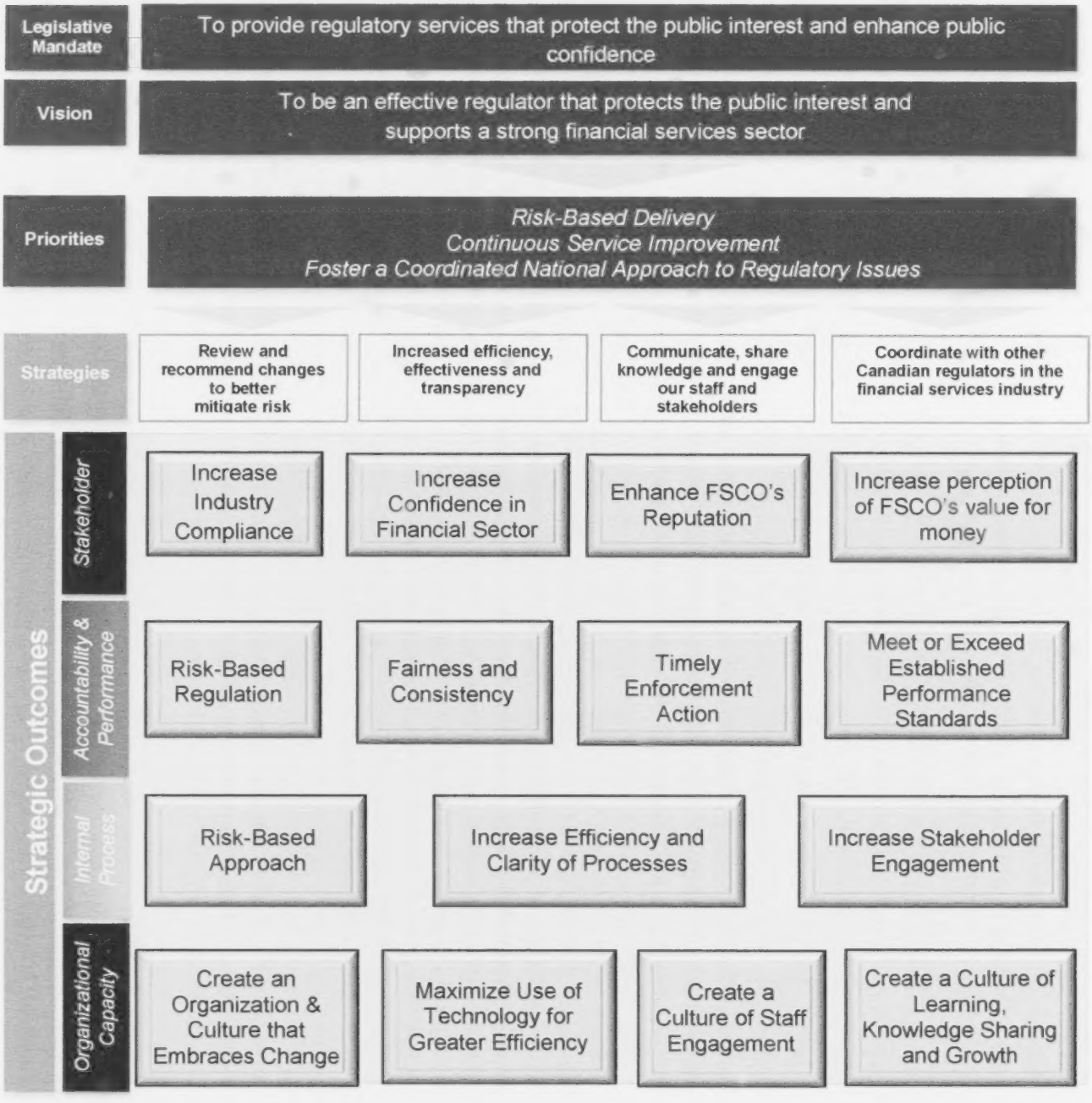
FSCO's Performance Management Framework is designed to ensure that we:

- provide greater transparency, accountability and value for money
- measure what we do and focus on results that matter
- define success and deliver on our outcomes

FSCO's Performance Management Framework contains our organization's strategic outcomes and accompanying performance measures. These are used to gauge the success of short- to medium-term activities against long-term targets.

Strategic Direction

FSCO has a legislative mandate to provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors. As an organization, we are committed to being a progressive and fair regulator, working with stakeholders to support a strong financial services industry. FSCO's current vision, priorities and strategies were developed to support its legislative mandate.


Legislative Mandate
To provide regulatory services that protect the public interest and enhance public confidence
Vision
To be an effective regulator that protects the public interest and supports a strong financial services sector
Priorities
Risk-Based Delivery
Continuous Service Improvement
Foster a Coordinated National Approach to Regulatory Issues
Strategies
Review and recommend changes to better mitigate risk
Increased efficiency, effectiveness and transparency
Communicate, share knowledge and engage our staff and stakeholders
Coordinate with other Canadian regulators in the financial services industry
Strategic Outcomes
Stakeholder
Increase Industry Compliance
Increase Confidence in Financial Sector
Enhance FSCO's Reputation
Increase perception of FSCO's value for money
Accountability & Performance
Risk-Based Regulation
Fairness and Consistency
Timely Enforcement Action
Meet or Exceed Established Performance Standards
Internal Process
Risk-Based Approach
Increase Efficiency and Clarity of Processes
Increase Stakeholder Engagement
Organizational Capacity
Create an Organization & Culture that Embraces Change
Maximize Use of Technology for Greater Efficiency
Create a Culture of Staff Engagement
Create a Culture of Learning, Knowledge Sharing and Growth

Strategies and Initiatives

The following chart summarizes the strategies and initiatives FSCO has developed to achieve the priorities. Detailed descriptions of the initiatives are provided on the next pages.

Strategies and Initiatives at a Glance

STRATEGIES	1. Review and recommend changes to better mitigate risk	2. Increased efficiency, effectiveness and transparency	3. Communicate, share knowledge and engage our staff and stakeholders	4. Coordinate with other Canadian regulators in the financial services industry
INITIATIVES	1.1 Implement enterprise-wide risk-based approach.	2.1 Build an enterprise relationship system.	3.1 Develop and implement social media initiatives and Web 2.0 enhancements for public website.	4.1 Harmonize life and accident and sickness insurance.
	1.2 Work with Ministry of Finance on five-year statutory reviews of the Mortgage Brokerages, Lenders and Administrators Act, 2006, and the Credit Unions and Caisses Populaires Act, 1994.	2.2 Reduce mediation backlog.	3.2 Enhance pension stakeholder outreach and education.	4.2 Examine CCIR recommendations regarding distribution of insurance.
	1.3 Implement auto insurance recommendations made in the Auditor General of Ontario's 2011 Annual Report.	2.3 Work with the Ministry of Finance on proposed changes to financial hardship unlocking.	3.3 Raise awareness of FSCO's auto insurance filing processes and requirements.	4.3 Participate in a Working Group established by CCIR to gather the facts surrounding the use of credit information by insurers.
	1.4 Work with stakeholders to reduce auto insurance fraud.			4.4 Communicate and coordinate auto insurance regulatory issues through CARR.
	1.5 Enhance regulatory oversight of compliance with auto insurance requirements.			4.5 Work with CAPSA on the development and implementation of CAPSA's Strategic Plan 2012-2015.
	1.6 Undertake long-term auto insurance reform initiatives.			
	1.7 Enhance auto insurance information and analysis to support risk-based approach to regulation.			
	1.8 Implement Administrative Monetary Penalties model in the insurance sector.			
	1.9 Conduct life insurance product suitability reviews.			
	1.10 Increase mortgage brokerage compliance.			
	1.11 Work with the Ministry of Finance to review solvency regulation under the Insurance Act.			

FSCO Initiatives in Detail

The following strategies and initiatives have been developed to achieve our priorities. The initiatives reflect major projects where FSCO has committed to make progress in the coming year.

Many of FSCO's initiatives are complex, span several years and involve various partners, including consumers, pension plan members, industry associations, national organizations of regulators, and the federal and provincial governments.

Strategy 1: Review and recommend changes to better mitigate risk

1.1 Implement enterprise-wide risk-based approach.

FSCO is developing an enterprise-wide risk-based approach to better direct regulatory efforts in proportion to risks identified in each sector.

The approach will leverage the best practices in risk-based regulation currently adopted in different areas of FSCO as well as similar regulatory agencies. By sharing and developing common approaches, FSCO will become a stronger integrated regulator.

In pension plans regulation, for example, risk-based regulation includes the development of data management approaches, risk-based business processes, related IT support systems, and communication and education strategies.

In addition, on January 1, 2013, it will become mandatory for the pension industry to submit all prescribed filings electronically through FSCO's Pension Services Portal.

FSCO will monitor the enterprise-wide risk-based approach for effectiveness on an ongoing basis.

1.2 Work with Ministry of Finance on five-year statutory reviews of the Mortgage Brokerages, Lenders and Administrators Act, 2006, and the Credit Unions and Caisses Populaires Act, 1994.

FSCO will assist the Ministry of Finance in conducting these reviews to ensure that the law stays current and that marketplace risks are mitigated.

1.3 Implement auto insurance recommendations made in the Auditor General of Ontario's 2011 Annual Report.

FSCO will address these recommendations while continuing to implement longer-term projects announced by the Ontario government as part of its 2010 auto insurance reforms.

1.4 Work with stakeholders to reduce auto insurance fraud.

The Ontario Government's Auto Insurance Anti-Fraud Task Force is focused on determining the scope and extent of auto insurance fraud in the province and making recommendations to reduce fraud in Ontario's auto insurance system.

FSCO is actively engaged with the Task Force's steering committee and working groups, which are identifying potential initiatives to reduce fraud in the areas of:

- prevention
- detection
- investigation and enforcement
- regulatory practices in the auto insurance system and
- consumer engagement and education.

FSCO is also leading a working group that is investigating how the Health Claims for Auto Insurance (HCAI) system could be used to detect and prevent fraud. The committee brings together insurers, health

care providers, HCAI and government representatives.

FSCO's work with the Task Force addresses the Auditor General's recommendations on reducing fraudulent claims.

1.5 Enhance regulatory oversight of compliance with auto insurance requirements.

FSCO will complete its first cycle of follow-up activities associated with the 2011 industry CEO attestation on Statutory Accident Benefits Schedule controls.

The annual attestation process will be reviewed with the industry, and amendments will be made as necessary. The review will also include additional assurance on insurer compliance with approved rates.

1.6 Undertake long-term auto insurance reform initiatives.

In response to direction from the Ontario Government associated with the September 2010 auto insurance reforms, FSCO is developing a new evidence-based Minor Injury Treatment Protocol. The new protocol will update the approach to treating soft tissue injuries and reflect current medical science. This project is expected to take two years.

In December 2011, the Superintendent provided his report recommending changes to the definition of catastrophic impairment in the Statutory Accident Benefits Schedule to the Minister. In June 2012, that report was made public.

The Superintendent's report was based on two reports prepared by the Catastrophic Impairment Expert Panel in 2011 and the results of extensive stakeholder consultation on those reports. This panel was struck by the Superintendent at the request of the government to examine the current definition of catastrophic impairment in the Statutory Accidents Benefits Schedule.

In the 2012 Ontario Budget, the government announced that it will move forward to propose regulatory amendments to the definition of catastrophic impairment. FSCO will work with the Ministry of Finance to implement the amendments.

1.7 Enhance auto insurance information and analysis to support risk-based approach to regulation.

The Superintendent is required to review and approve auto insurance rates filed by auto insurers. The rates must be just and reasonable, not impair the solvency of the insurer and not be excessive in relation to the financial circumstances of the insurer.

The current benchmark return on equity level for auto insurance filings was established in 1988 with a minor modification in 1996.

The Auditor General recommended that FSCO review what constitutes a reasonable rate of return on equity for insurance companies when approving rate changes, and periodically revise the benchmark to reflect changing capital market conditions.

FSCO will review the benchmark profit provision used in reviewing rate filings. The review is expected to be completed in early 2013.

FSCO will work with the auto insurance industry to complete a closed third party liability bodily injury claim study on tort claims. These findings will support policy analysis.

1.8 Implement Administrative Monetary Penalties model in the insurance sector.

In the 2012 Ontario Budget, the government announced that it will introduce amendments to insurance-related legislation and the FSCO Act to provide for administrative monetary penalties. FSCO will work with the Ministry of Finance to implement this tool.

1.9 Conduct life insurance product suitability reviews.

FSCO will undertake a market conduct review to determine how the life insurance industry is ensuring that consumers get appropriate information to make informed decisions when purchasing life insurance products.

The focus of the review will be to understand and assess the processes life insurance agents use in making recommendations to consumers and the processes in place at life insurance companies when developing and distributing products.

The review will also consider the actions life insurance agents and companies are taking to support the financial literacy of their clients.

1.10 Increase mortgage brokerage compliance.

The Mortgage Brokerages, Lenders, and Administrators Act, that came into effect on July 1, 2008, was designed to enhance consumer protections and provide for fair treatment of borrowers and private investors.

Achieving these regulatory objectives requires increased rates of compliance by industry participants. Working with industry associations, FSCO will employ multiple strategies including a new mandatory continuing education policy for agents and brokers, outreach, risk-based compliance audits, and targeted enforcement activities.

1.11 Work with the Ministry of Finance to review solvency regulation under the Insurance Act.

FSCO and the Ministry of Finance are consulting on how better to provide for solvency regulation of insurance companies incorporated in Ontario. In May 2012, FSCO published a consultation paper with policy proposals on this issue and invited interested parties to make comments. The information FSCO gathers through this consultation process will inform any government decision regarding the policy proposals.

In addition, FSCO will look at the implementation of the International Association of Insurance Supervisors' (IAIS) insurance core principles related to market conduct. FSCO will work in conjunction with the IAIS Core Principles Implementation Committee of the Canadian Council of Insurance Regulators.

Strategy 2: Increased efficiency, effectiveness and transparency

2.1 Build an enterprise relationship system.

The enterprise system development program will offer better service to external stakeholders by giving them one-window access for all of their dealings with FSCO. For example, stakeholders will be able to check or renew licences, submit filings, pay fees and do other related tasks through one online access point.

The enterprise system development program will support FSCO's commitment, as an integrated financial services regulator, to look for ways to better serve stakeholders and adapt to changes in the financial services environment.

2.2 Reduce mediation backlog.

FSCO has implemented several initiatives to deal with the increase in the number of mediation applications and to reduce wait times for the assignment of files to mediators in the Statutory Accident Benefits dispute resolution system.

Current initiatives include: an electronic scheduling system, mandatory blitz settlement days, a consent to fail process

on request, and outsourcing.

In January, FSCO issued a request for proposal (RFP) seeking up to four private dispute resolution companies to provide dispute resolution services to address the backlog. The procurement process is nearing completion, and FSCO expects that the service providers will begin offering dispute resolution services by the second quarter of 2012-2013.

In the 2012 Ontario Budget, the government announced that it will engage in a review of the auto insurance dispute resolution system. FSCO will support the government's review.

These initiatives address the Auditor General's recommendations on FSCO's dispute resolution services.

2.3 Work with the Ministry of Finance on proposed changes to financial hardship unlocking.

FSCO will work with the Ministry of Finance to implement the changes to the financial hardship unlocking regime announced in the 2012 Ontario Budget. The changes will align financial hardship unlocking with all other forms of access to locked-in accounts, where applications are made directly to financial institutions.

Strategy 3: Communicate, share knowledge and engage our staff and stakeholders

3.1 Develop and implement social media initiatives and Web 2.0 enhancements for public website.

Increasingly, stakeholder dialogue takes place on social media platforms.

FSCO will establish a plan to research and monitor online channels and launch a presence on key social media platforms to engage with stakeholders and raise awareness of the information and services available from FSCO.

FSCO will also research and develop Web 2.0 features such as blogs, wikis, tutorials, webinars, mobile applications and other tools that encourage stakeholder interaction.

3.2 Enhance pension stakeholder outreach and education.

To improve outreach to stakeholders and broaden FSCO's engagement with the pension community, FSCO will increase use of electronic media. Planned activities include a new series of webinars and webcasts to educate stakeholders on matters of concern, legislative changes and best practices on relevant topics.

3.3 Raise awareness of FSCO's auto insurance filing processes and requirements.

Following work done in 2011, FSCO will continue to raise awareness of and enhance transparency around its auto insurance filing processes and requirements. FSCO will use several tools to enhance stakeholders' understanding of legislation, regulations, filing requirements, the rate approval process and overall compliance obligations pertaining to auto insurance rate filings. These include ongoing meetings with the sector and online media such as newsletters, e-bulletins and webcasts.

Strategy 4: Coordinate with other Canadian regulators in the financial services industry

4.1 Harmonize life and accident and sickness insurance.

In the 2012 Ontario Budget, the government announced that it will propose amendments to the life insurance and accident and sickness insurance parts of the Insurance Act to enhance consumer protection, reduce regulatory burden and harmonize with other Canadian jurisdictions.

4.2 Examine CCIR recommendations regarding distribution of insurance.

The provisions in the Insurance Act dealing with insurance distribution were enacted when insurance was largely distributed by agents representing a single company. There is now more diversity in distribution channels.

In May 2012, the Canadian Council of Insurance Regulators (CCIR) published a position paper on the managing general agencies (MGAs) distribution channel in the life insurance industry and invited interested parties to comment on it.

4.3 Participate in a Working Group established by CCIR to gather the facts surrounding use of credit information by insurers.

To improve understanding of trends in the use of credit information, FSCO is participating in a CCIR working group to gather the facts surrounding the use of credit information by insurers.

4.4 Communicate and coordinate auto insurance regulatory issues through CARR.

FSCO will participate in common training and education initiatives as well as co-operative research opportunities with other Canadian regulators on matters involving auto insurance rate regulation through the Canadian Automobile Insurance Rate Regulators Association (CARR).

4.5 Work with CAPSA on the development and implementation of CAPSA's Strategic Plan 2012-2015

The development of the new Canadian Association of Pension Supervisory Authorities (CAPSA) strategic plan will include a review of the current regulatory environment and trends, determination of CAPSA's strategic priorities over the next three years and specific initiatives to address these priorities.

Report Back on Priorities and Key Initiatives from 2011

Following is a report on the progress of key initiatives identified in last year's Statement of Priorities and their contribution to achieving FSCO's regulatory objectives.

Review and recommend changes to better mitigate risk

Conduct market conduct audit reviews of compliance with the 2010 auto insurance reforms including Statutory Accident Benefits.

2010 changes to the existing auto insurance system create a risk of non-compliance.

To ensure compliance with the new auto insurance legislation, FSCO undertook two compliance reviews.

First, FSCO completed an examination of insurers for compliance with the amended Regulation 7/00, Unfair or Deceptive Acts or Practices.

Second, FSCO required all insurers to submit an attestation regarding compliance with the Statutory Accident Benefits Schedule, and cost, fraud and abuse controls.

A follow-up audit of the attestations will be undertaken this year.

Work with stakeholders to identify measures addressing fraud and abuses in auto insurance industry.

FSCO is working closely with the Ontario Government's Auto Insurance Anti-Fraud Task Force by chairing the Regulatory Practices Working Group and the HCAI Anti-Fraud Working Group, and actively participating in the Prevention, Detection, Investigation and Enforcement and Consumer Engagement and Education working groups.

The Auto Insurance Anti-Fraud Task Force completed and submitted an interim report to the Minister of Finance in December 2011.

The task force is expected to submit a final report in fall 2012. The final report will provide recommendations on the following:

- regulation of health clinics
- other gaps in regulation
- establishment of a dedicated fraud unit
- consumer education and engagement strategy
- a single web portal for auto insurance claimants

To reduce fraud and abuse in health care services for auto insurance, FSCO implemented regulations to ensure that treatments are provided as invoiced and issued a Superintendent's Guideline to address the issue of insurers being invoiced for medical devices at a significantly higher than market rate.

Undertake long-term initiatives extending from 2010 auto insurance reforms – Minor Injury Treatment Protocol and Catastrophic Impairment definition, and closed claim study.

FSCO issued an RFP for consulting services to develop a new Minor Injury Treatment Protocol in November 2011. FSCO expects to award a contract shortly. The Minor Injury Treatment Protocol project is expected to take two years.

The Catastrophic Impairment Expert Panel prepared two reports in 2011. In April 2011, the panel reported recommendations on the definition of "catastrophic impairment." In June 2011, the panel submitted a report on training and experience required for assessors of catastrophic impairment.

Stakeholders were invited to submit written submissions, attend an information session and meet with FSCO staff over the summer and fall of 2011 to discuss the panel's findings.

Based on these consultations and the panel's reports, in December 2011, the Superintendent submitted his report and recommendations to the Minister of Finance on the Definition of Catastrophic Impairment in the Statutory Accident Benefits Schedule.

In January 2012, FSCO issued an RFP for consulting services to conduct a closed auto insurance third party liability bodily injury claim study. FSCO expects to award a contract in 2012 with a completion date in early 2013.

Consider additional tools in enforcement of insurance regulation such as administrative monetary penalties.

Currently, FSCO uses a system of progressive enforcement, where the penalty is proportionate to the seriousness of the contravention.

FSCO has tools to deal with extremely serious matters and minor matters in the insurance sector, but does not have a suitable tool for matters where an administrative monetary penalty may be the best approach to resolving matters of non-compliance.

The Ministry of Finance worked with FSCO to develop a model for administrative monetary penalties for the Insurance Act and related statutes.

In the 2012 Ontario Budget, the government announced that it will introduce amendments to insurance-related legislation and the FSCO Act to provide for administrative monetary penalties. FSCO will work with the Ministry of Finance to implement this tool.

Implement an enhanced risk-based regulation approach for pension plans.

In November 2011, and following consultations with stakeholders, FSCO released the Risk-Based Regulation Framework for Pensions.

In 2011-12, FSCO began to develop measures to operationalize the new framework with current work in the multi-year implementation plan focusing on developing a comprehensive risk assessment methodology and related documentation standards. Pilot projects on financial and operational risk reviews have been undertaken and are scheduled to be complete by fall 2012.

Increase compliance by mortgage brokerages.

To increase compliance, FSCO has adopted a multi-strategy approach.

FSCO informs industry participants on licensing requirements, conducts annual field visits to mortgage brokerages and administrators to ensure required policies and procedures are in place, and undertakes audits to confirm brokerages have appropriate errors and omissions insurance.

The results from these compliance reviews showed an improvement from the results of the 2009 reviews. In addition, the compliance rate for errors and omissions insurance increased significantly from 70 per cent to 94 per cent over the past two years.

In addition, FSCO required all mortgage brokers, agents and principal brokers to complete Mandatory Re-licensing Education by March 31, 2012 to renew their licences. The course provided information on requirements in the Mortgage Brokerages, Lenders and Administrators Act, 2006, and regulations.

Increased efficiency, effectiveness and transparency

Continue to build an enterprise licensing and stakeholder relationship system.

FSCO has a plan to guide the implementation of an enterprise licensing and stakeholder relationship system. Progress has been made in the following areas:

- implementing a new governance model
- conducting a comprehensive system review
- designing a data migration strategy
- developing prototypes for components of the system

Expand use of online portal for pension plan administrators and other parties to obtain information and submit additional prescribed documents online.

FSCO expanded electronic filing capacity for submission of prescribed filings to provide more efficient compliance functionality for all pension stakeholders.

In May 2011, FSCO offered online filing for the Investment Information Summary form.

In August 2011, the Pension Benefit Guarantee Fund Assessment Certificates were also added.

In December 2011, FSCO offered online filing for the Actuarial Information Summary form, which meant all regulatory filings for the pension sector could be made online. In addition, FSCO added the facility for filing actuarial valuation reports and financial statements in PDF formats.

FSCO is working to incorporate filing extension submissions online for early summer 2012.

Develop electronic records management (storage and retrieval) of pension documentation for access by external and internal stakeholders.

FSCO began a pilot to use an in-house electronic imaging solution for ongoing correspondence and applications received on a small sampling of pension plans.

Hardware and software were acquired as part of the pilot. It is expected to be complete by September 2012 with plans to subsequently expand usage. This will eventually provide pension stakeholders with easier online access to pension plan documentation.

Initiate electronic mediation scheduling and explore feasibility of private sector mediation/arbitration service providers to assist with increased workload.

Several initiatives were introduced in 2011 to address the auto insurance dispute resolution system (DRS) backlog.

A phased rollout of the DRS e-Calendar system began in July 2011 and became mandatory for scheduling all mediations in which the applicant has legal representation (99 per cent) on February 1, 2012.

Mediators now use the time previously spent scheduling mediations doing more mediations.

In November 2011, FSCO implemented mandatory blitz settlement days in which files are grouped by law/paralegal firm and insurer, with the aim of closing multiple files in a single day. The blitz days assign mediators to facilitate the sessions and issue Reports of Mediator.

In September 2011, FSCO implemented a Consent to Fail process on request. This process applies where there is joint consent from both parties that no reasonable prospect of a resolution exists if a mediation was to be held.

This process allows the parties to proceed more quickly to arbitration or court to resolve their dispute.

Finally, in January, FSCO issued a request for proposal (RFP) seeking up to four private dispute resolution companies to provide services to address the backlog.

In combination, these measures have contributed to a marked increase in the productivity of FSCO's dispute resolution process.

Communicate, share knowledge and engage our staff and stakeholders

Raise awareness of filing requirements and the relevant legislation and regulations by planning and hosting an information session for insurance company representatives.

In March 2012, FSCO held a webcast to enhance auto insurance stakeholders' understanding of legislation, regulations, filing requirements, FSCO's rate approval process, and overall compliance obligations pertaining to auto insurance rate filings.

Develop new online media channels to engage stakeholders.

In July 2011, FSCO launched a redesigned website organized according to audience and sectors and featuring new content and tools.

In fall 2011, FSCO incorporated the RSS feature on its website, enabling users to receive new content as soon as it is posted.

FSCO also created an online subscription centre that allows users to sign-up for newsletters and get email alerts about sector updates.

In early 2012, FSCO conducted an online survey to gather feedback on the redesigned website and identify opportunities for further improvement.

Continue to enhance pension stakeholder outreach and education.

The Ontario Government made amendments to the Pension Benefits Act and the Family Law Act that relate to the division of pension assets on the breakdown of a marital relationship.

Effective January 1, 2012, these amendments required several Superintendent's Forms. FSCO released the proposed forms in fall 2011 and made the final forms available online in fillable formats on December 31, 2011.

In November 2011, FSCO held a webinar on the pension plan administrator's obligations under the new Family Law provisions.

FSCO's efforts brought clarity to complex provisions and forms, responded to concerns and fostered participation in the health of the pension industry.

Coordinate with other Canadian regulators in the financial services industry

Work with the Ministry of Finance to review major parts of the Insurance Act such as life insurance and accident and sickness insurance, as well as other insurance-related legislation.

FSCO worked with the Ministry of Finance to assess whether changes may be required in the parts of the Insurance Act that deal with life insurance and accident and sickness insurance to provide for a more harmonized approach to regulation. In the 2012 Ontario Budget, the government announced that it will be proposing changes to these parts of the Act.

Examine CCIR recommendations to reflect changes in distribution channels.

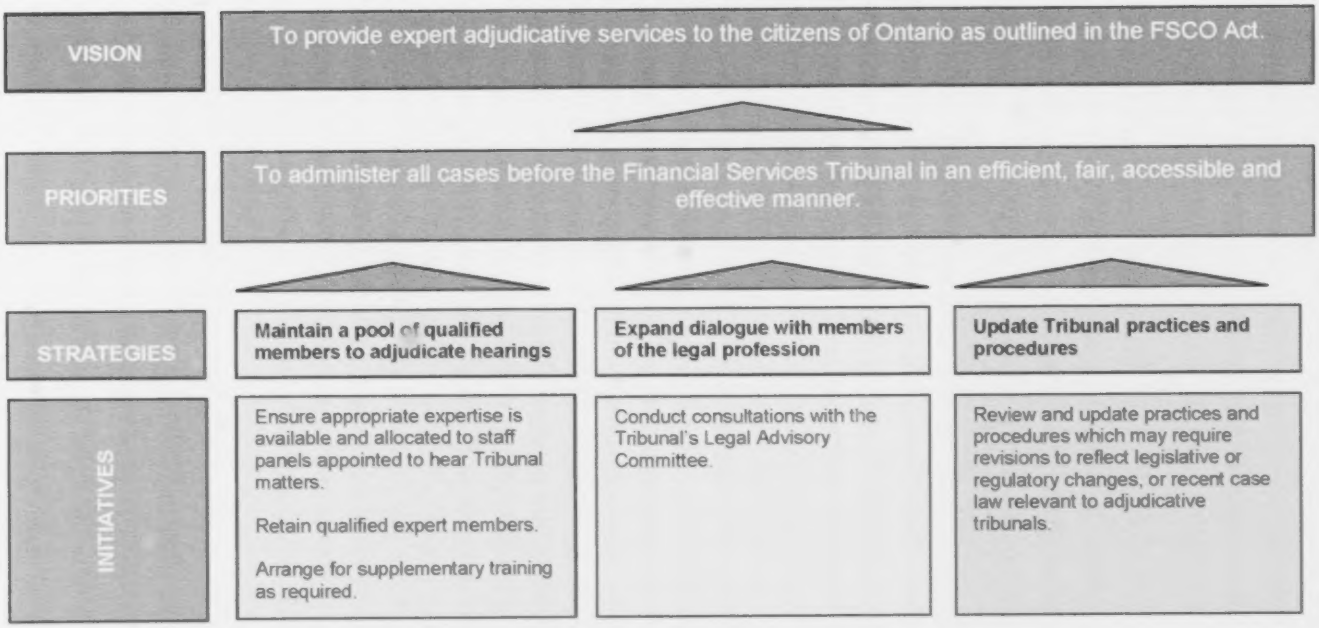
In May 2012, CCIR's Agencies Regulation Committee released a position paper on the role of MGAs in the distribution of life insurance and associated issues.

The Committee has looked at outsourcing agreements, agent supervision, product suitability, the information needs of regulators, and ways to enhance and harmonize best practices in the MGA distribution channel.

Participate in a working group established by CCIR to gather the facts surrounding the use of credit information by insurers.

As a member of CCIR, FSCO participated in the work of the Credit Scoring Working Group.

Financial Services Tribunal Priorities at a Glance


VISION
To provide expert adjudicative services to the citizens of Ontario as outlined in the FSCO Act.
PRIORITIES
To administer all cases before the Financial Services Tribunal in an efficient, fair, accessible and effective manner.
STRATEGIES
Maintain a pool of qualified members to adjudicate hearings
Expand dialogue with members of the legal profession
Update Tribunal practices and procedures
INITIATIVES
Ensure appropriate expertise is available and allocated to staff panels appointed to hear Tribunal matters.
Retain qualified expert members.
Arrange for supplementary training as required.
Conduct consultations with the Tribunal's Legal Advisory Committee.
Review and update practices and procedures which may require revisions to reflect legislative or regulatory changes, or recent case law relevant to adjudicative tribunals.

Financial Services Tribunal Initiatives in Detail

The Financial Services Tribunal (FST) is an expert adjudicative tribunal established under the FSCO Act. It is comprised of members appointed to it on a part-time basis.

The FST is charged with hearing applications and appeals from certain decisions made or proposed by the Superintendent, or other authorized persons or entities, under a range of Ontario statutes governing financial services matters including:

- the Pension Benefits Act
- the Insurance Act
- the Mortgage Brokerages, Lenders and Administrators Act
- the Credit Unions and Caisses Populaires Act
- the Loan and Trust Corporations Act

Maintain a pool of qualified members to adjudicate hearings

Ensure appropriate expertise is available and allocated to staff panels appointed to hear Tribunal matters.

Retain qualified expert members.

Arrange for supplementary training as required.

The scope of matters qualifying for an application or appeal to the FST has been substantially expanded over the past few years resulting in an increasingly diverse workload for the FST.

Panels are appointed to hear applications or appeals with consideration given to their expertise in the area of financial services that will be the subject matter of the hearing. As well, consideration is given to ensuring that the panel has appropriate knowledge about the principles of administrative law reflected in the Statutory Powers Procedure Act and applicable court decisions. This is so that matters can be addressed in a fair, open, timely, efficient and cost effective manner.

An FST member who is not on the panel may be assigned to act as a mediator to help the parties reach a resolution and avert a disputed hearing.

A key focus of the FST is the maintenance of member expertise in financial services and administrative law. Members pursue ongoing education and training from internal and external providers. Internal training is on a generic (not case-specific) basis.

External training includes programs and materials provided primarily by the Society of Ontario Adjudicators and Regulators.

Expand dialogue with members of the legal profession

Conduct consultations with the Tribunal's Legal Advisory Committee.

Consistent with its status as an independent tribunal, the FST seeks advice on practices and performance from the legal profession. The FST's Legal Advisory Committee provides primary input. This year, the committee is engaged in a consultation about FST practices and procedures (see next item).

Update Tribunal practices and procedures

Review and update practices and procedures which may require revisions to reflect legislative or regulatory changes, or recent case law relevant to adjudicative tribunals.

The FST is reviewing input on draft changes to its practices and procedures following consultations with its Legal Advisory Committee and stakeholders.

Some recent issues addressed by the FST in the context of its procedures have included confidentiality, freedom of information, and persons entitled to appear before tribunals under the Law Society Act.